



eServGlobal Annual Report 2006 CEO Letter

Dear Shareholders,

I am delighted to welcome you to our annual report for the year ended June 30, 2006.

eServGlobal is today a significantly larger and stronger company with a workforce of more than 500, the majority in France, Great Britain, Belgium, New Zealand and Romania. Its worldwide presence is well established, with more than 70 customers in more than 50 countries and offices in 15 countries.

This industrial and commercial strength allows us to propose our solutions anywhere in the world, our activity being essentially focussed in Europe, the Middle East, North Africa, Asia and Asia/Pacific. The ability to deliver advanced technology, with compelling economics, to operators in both the developed and developing world, is a key strength of our company

Based on the merged global portfolio of our products, we are now in a position to deliver fully fledged Intelligent Network technology with all the required services and features, notably for real-time charging applications.

Moreover, our leading position in real-time *convergent* charging, which allows operators to collect revenue as calls, messages, data and content are delivered, provides the platform for our long term success.

Results

The revenue for the combined business reached \$95.463 million for the full year, of which \$62.559 million was produced in the second half, reflecting the full six months contribution from Ferma SA. The new group has a broader spread of operations, approximately 25% of customer revenue was generated in Europe, 35% in Africa/Middle East, 30% in Asia and 10% in Asia-Pacific, compared with 65% in Europe and 35% in Asia Pacific for the original operations last year.

We delivered \$37.613 million of gross profit for the year, a 39.6% margin reflecting the new mix of revenues in the combined business, where a larger proportion of predictable contracts now exists. However, the merger costs being now behind us, margin growth is one of our key objectives for coming years.

We achieved an overall EBITDA margin of 10.6% (\$10.088 million) compared to 10.75 % (\$4,131 million, before restatement for A-IFRS) in FY05. Synergies achieved from the acquisition allowed us to reduce sales and admin costs (before depreciation and amortisation) from 34.5% of revenue in FY05 to 29.5% in FY06.

Costs associated with the acquisition were responsible for a major reduction in our cash position in November. The uplift in business activity in the second half placed further demand on our cash. Despite this, we ended the year with \$5.471 million in net cash and we are confident that we will have positive cash-flow in the 2007 fiscal year.

Market Background

The global telecommunications market is characterised by low growth in developed countries but very high growth in the developing world. Established carriers are looking for new technologies to reduce the cost of delivering services whilst emerging carriers need to employ the most efficient and flexible platforms possible, to manage the challenges of rapid growth and rapid technology change.

The historical model of multiple networks, multiple service platforms and multiple charging platforms is being replaced by a new converged model. This convergence benefits both the carrier's infrastructure cost and the subscriber's usage experience.

eServGlobal's product offering operates across all network types and is designed to deliver the benefits of convergence, across all layers of charging control, from payments systems up to specialized network elements, ensuring best value for carriers as they implement real-time business control across both conventional and new quad-play networks.

eServGlobal also has a unique position, as the only independent IN software supplier positioned between network infrastructure providers and billing providers. We are a market leader in mobile re-charge, a market leader in voice and data messaging and have a heritage of deep telecommunications technology leadership.

We have a partner-driven sales and delivery model, we have the privilege to work with leaders in the industry and we have an excellent record of delivery and support. This strategy underpins our confidence in continuing growth and increased profitability, whilst maintaining the trust of our customers for sustained reliability, flexibility and innovation of our solutions.

Plan for 2007

We have carefully evaluated both our customer requirements and the market opportunity for the 2007 fiscal year. Our business plan is considered and cautious, yet will deliver top and bottom line growth whilst we continue to invest in our products and new markets

The plan features a continuing focus on solutions for the new telecoms environment, a continuing focus on growth through partners and continuing focus on sustainable long-term shareholder value growth.

In 2006 we brought together two diverse groups of people, carried out a complex and challenging integration and have emerged as a united and formidable team. This was achieved due to the skill, enthusiasm and commitment of every person involved. As we look to the 2007 plan, we have every confidence in our team, our technology and our position in the market.

I thank our shareholders for your continuing support and I commit to you that we will strive to deliver the highest levels of shareholder value into the future.

Sincerely,

Dr Roger Agniel
Chief Executive Officer